

International Conference  
**“Asian Market Integration and Financial Innovation”**



Session 2: Towards a Better Framework for Supply of Funds in Asian Financial Markets

**Towards a Better Framework for Supply of Funds in Asian Financial Markets**

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**abstract**

In Japan, Households and Private non-financial corporations have consistently been surplus sectors. The surplus funds have been forwarded mainly to General Government sector and Overseas Investment. Over-reliance on indirect finance through financial institutions could have risk of market failure as financial institutions are subject to their own regulations, such as capital adequacy regulations and liquidity regulations. Due to these regulations, there is a risk that financial institutions are not able to provide sufficient credit to corporations, including SMEs. Also, weak financial information disclosure of SMEs could hinder their flow of funds.

Reviewing this Japanese experience, over-reliance on financial institutions in terms of flow of funds should be avoided and a well-balanced combination of loan market and capital market should be established. Introduction of capital market products or finance scheme could promote the flow of funds. Infrastructure of the market should also be developed in order to materialize the flow of funds through capital market.